

**TOWNSHIP OF CARP LAKE
ONTONAGON COUNTY
FINANCIAL REPORT
With Supplemental Information**

March 31, 2006

Local Government Type <input type="checkbox"/> City <input checked="" type="checkbox"/> Township <input type="checkbox"/> Village <input type="checkbox"/> Other		Local Government Name Carp Lake Township		County Ontonagon
Audit Date 3/31/2006	Opinion Date 12/22/2006	Date Accountant Report Submitted to State: 1/16/2007		

We have audited the financial statements of this local unit of government and rendered an opinion on financial statements prepared in accordance with the Statements of the Governmental Accounting Standards Board (GASB) and the *Uniform Reporting Format for Financial Statements for Counties and Local Units of Government in Michigan* by the Michigan Department of Treasury.

We affirm that:

1. We have complied with the *Bulletin for the Audits of Local Units* in Michigan as revised.
2. We are certified public accountants registered to practice in Michigan.


We further affirm the following. "Yes" responses have been disclosed in the financial statements including the notes, or in the report of comments and recommendations

You must check the applicable box for each item below.

- ☐ yes ☒ no 1. Certain component units/funds/agencies of the local unit are excluded from the financial statements.
- ☐ yes ☒ no 2. There are accumulated deficits in one or more of this unit's unreserved fund balances/retained earnings (P.A. 275 of 1980).
- ☒ yes ☐ no 3. There are instances of non-compliance with the Uniform Accounting and Budgeting Act (P.A. 2 of 1968, as amended).
- ☐ yes ☒ no 4. The local unit has violated the conditions of either an order issued under the Municipal Finance Act or its requirements, or an order issued under the Emergency Municipal Loan Act.
- ☐ yes ☒ no 5. The local unit holds deposits/investments which do not comply with statutory requirements. (P.A. 20 of 1943, as amended [MCL 129.91], or P.A. 55 of 1982, as amended [MCL 38.1132]).
- ☐ yes ☒ no 6. The local unit has been delinquent in distributing tax revenues that were collected for another taxing unit.
- ☐ yes ☒ no 7. The local unit has violated the Constitutional requirement (Article 9, Section 24) to fund current year earned pension benefits (normal costs) in the current year. If the plan is more than 100% funded and the overfunding credits are more than the normal cost requirement, no contributions are due (paid during the year).
- ☐ yes ☒ no 8. The local unit uses credit cards and has not adopted an applicable policy as required by P.A. 266 of 1995 (MCL 129.241).
- ☐ yes ☒ no 9. The local unit has not adopted an investment policy as required by P.A. 196 of 1997 (MCL 129.95).

We have enclosed the following:

	Enclosed	To Be Forwarded	Not Required
The letter of comments and recommendations.	x		
Reports on individual federal financial assistance programs (program audits).			x
Single Audit Reports (ASLGU).			x

Certified Public Accountant (Firm Name) Roger J. Kolehmainen PC CPA			
Street Address 1445 East Cloverland Drive	City Ironwood	State MI	ZIP 49938
Accountant Signature 			

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Roger J. Kolehmainen CPA PC
1445 East Cloverland Drive
Ironwood, MI 49938

INDEPENDENT AUDITOR'S REPORT

Supervisor and Members of the Board
Carp Lake Township
White Pine, Michigan

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund of Carp Lake Township, Ontonagon County, and its fund financial statements as of and for the year ended March 31, 2006, which collectively comprise the Township's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the Township's management. Our responsibility is to express an opinion on these financial statements based on our audit.


We conducted the audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that the audit provides a reasonable basis in our opinion.

In our opinion the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, and the aggregate remaining fund information of Carp Lake Township as of March 31, 2006, and the respective changes in financial position and cash flows, where applicable, thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Governmental Auditing Standards*, we have also issued our report dated December 22, 2006, on our consideration of Carp Lake Township's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be read in conjunction with this report in considering the results of our audit.

The management's discussion and analysis is not a required part of the basic financial statements but is supplemental information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplemental information. However, we did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Carp Lake Township's basic financial statements. The accompanying Other Financial Information is presented for purposes of additional analysis and is not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the financial statements and, in our opinion, is fairly stated, in all material respects, in relation to the financial statements taken as a whole.


Roger J. Kolehmainen PC
Certified Public Accountant

Ironwood, Michigan
December 22, 2006

MANAGEMENT'S DISCUSSION AND ANALYSIS
CARP LAKE TOWNSHIP
Year ended March 31, 2006

Management's Discussion and Analysis

This section of Carp Lake Township's annual financial report presents our discussion and analysis of the Township's financial performance during the year ended March 31, 2006. It is to be read in conjunction with the Township's financial statements, which immediately follow. This is a requirement of the Governmental Accounting Standards Board Statement No. 34 (GASB 34) *Basic Financial Statements – and Management Discussion and Analysis – for State and Local Government* and is intended to provide the financial results for the fiscal year ending March 31, 2006.

Government-wide Financial Statements

The Government-wide financial statements appear first in the financial report. These financial statements include the statement of net assets and the statement of activities. They report information about the Township as a whole. The statements are prepared using the accrual basis of accounting which is the accounting used by most private sector businesses. The statement of net assets includes all of the Township's assets and liabilities. All current year revenues and expenses are reported in the statement of activities. The new statement that have not been required or provided in past years but are now required based on government auditing and accounting standards. The statement report the governmental activities of the Township that include all services performed by the Township. These activities are funded mostly by State revenue sharing, property taxes and charges for services.

The statement of net assets, as stated previously, shows the Township's assets and liabilities. The corresponding balance between the amounts calculates the net assets or deficit of the Township. This statement measures the financial strength of the Township; the greater the net asset figure, the healthier the Township generally is. This shows if the Township will be able to fund their current obligations and shows what they have available for future use.

The statement of activities shows the current year change in net assets on revenue less expenditure basis. It generally shows the operating results for a given year of the Township. Any excess of revenues over expenditures results in a surplus for the year that in turn increases the net assets (or reduces a deficit) available to fund future needs of the Township. Any deficiency of revenues over expenditures results in a deficit for the year that in turn reduces the net assets (or increases a deficit) of the Township.

MANAGEMENT'S DISCUSSION AND ANALYSIS CARP LAKE TOWNSHIP

Fund Financial Statements

The Township, like other state and local governments, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. A fund is a grouping of related accounts used to maintain control over resources that have been segregated for specific activities or objectives. In the basic financial statements, the emphasis of the fund financial statements is on major funds. All of the funds of the Township can be divided into three categories: governmental funds, proprietary funds, and fiduciary funds.

Governmental Funds

Governmental Funds are used to account for essentially the same functions reported as governmental activities in the government-wide financial statements. However, unlike the government-wide financial statements, governmental fund financial statements focus on near-term inflows and outflows of spendable resources, as well as on balances of spendable resources available at the end of the fiscal year. This information may be useful in evaluating the Township's near-term financing requirements.

Because the focus of governmental funds is narrower than that of the government-wide financial statements, it is useful to compare the information presented for governmental funds with similar information presented for governmental activities in the government-wide financial statements. In order to provide the reader with information to better understand the long-term impact of the government's near-term financing decisions, a reconciliation between the government-wide financial statements is included as part of the basic financial statements.

The Township maintains three governmental funds. Information is presented separately in the government fund balance sheet and governmental fund statement of revenues, expenditures, and changes in fund balance for the general and road funds (considered major fund) and the Township's Special Revenue Funds and Capital Project Fund (considered non-major funds).

Individual fund data for each fund is presented separately in the "Other Financial Information" section of this report.

The Township adopts an annual budget for its general and special revenue funds. To demonstrate compliance with this budget, a budgetary comparison statement has been provided for the general fund and is included in the "Other Financial Information" section of this report.

**MANAGEMENT'S DISCUSSION AND ANALYSIS
CARP LAKE TOWNSHIP**

Proprietary Funds

Proprietary Fund provides services for which the Township charges customers a fee. The Township has one proprietary fund types- enterprise fund. The Township's enterprise fund is used to report the same functions as the business-type activities in the government-wide financial statements. The Sewer Fund is presented in both the government-wide financial statements and the fund financial statements and is considered a major fund. Enterprise funds are used to account for operations very similar to business enterprises, where the intent of the governing body is that the cost of providing goods or services to the general public on a continuing basis be financed or recovered primarily through user charges.

Fiduciary Funds

Fiduciary funds are used to account for resources held for the benefits of parties outside the government. The fiduciary funds for the Township are the Tax Collection Fund, Trust and Agency Fund and Pension Fund. Fiduciary funds are not included in the government-wide financial statements because the resources of those funds are not available to support the Township's own programs. This fund is presented separately in the fund financial statements section of the basic financial statements.

Notes to Financial Statements

Notes to the financial statements are included in the financial statements, and provide additional information that is essential for a full understanding of the data provide in the government-wide and the fund financial statements.

Government-wide Financial Statements-Condensed Financial Information

Statement of Net Assets

The following tables shows the condensed statement of net assets for the years ended March 31, 2006 and 2005, as follows

Primary Government- March 31, 2006			
	Governmental	Business-Type	
ASSETS	<u>Activities</u>	<u>Activities</u>	<u>Total</u>
Current Assets:			
Cash and other assets	\$308,370	\$67,743	\$376,113
Other assets	50,476	172,884	223,360
Non-current Assets			
Restricted cash	23,057	175,550	198,607
Capital Assets, net	56,089	5,556,195	5,612,284
TOTAL ASSETS	\$437,992	\$5,972,372	\$6,410,364

MANAGEMENT'S DISCUSSION AND ANALYSIS
CARP LAKE TOWNSHIP

Primary Government-March 31, 2006

	Governmental <u>Activities</u>	Business-Type <u>Activities</u>	<u>Total</u>
LIABILITIES			
Current Liabilities	\$23,455	\$186,911	\$210,366
Non-current Liabilities	33,183	1,519,000	1,552,183
TOTAL LIABILITIES	\$56,638	\$1,705,911	\$1,762,549
NET ASSETS			
Investment in capital assets net of related debt	\$56,089	\$3,853,843	\$3,909,932
Restricted	25,291		25,291
Unrestricted	299,974	412,618	712,592
TOTAL NET ASSETS	\$381,354	\$4,266,461	\$4,647,815
TOTAL LIABILITIES AND NET ASSETS	\$437,992	\$5,972,372	\$6,410,364

For governmental activities, net assets increased by \$32,706 during the fiscal year. For business-type activities, net assets increased by \$31,755.

Primary Government- March 31, 2005

	Governmental <u>Activities</u>	Business-Type <u>Activities</u>	<u>Total</u>
ASSETS			
Current Assets:			
Cash and other assets	\$316,233	\$66,710	\$382,943
Other assets	59,476	106,755	166,231
Non-current Assets			
Restricted cash	20,131	139,192	159,323
Capital Assets, net	42,903	5,490,065	5,532,968
TOTAL ASSETS	\$438,743	\$5,802,722	\$6,241,465
LIABILITIES			
Current Liabilities	\$52,630	\$33,016	\$85,646
Non-current Liabilities	37,465	1,535,000	1,572,465
TOTAL LIABILITIES	\$90,095	\$1,568,016	\$1,658,111
NET ASSETS			
Investment in capital assets net of related debt	\$42,903	\$3,939,065	\$3,981,968
Restricted	20,131		20,131
Unrestricted	285,614	295,641	581,255
TOTAL NET ASSETS	\$348,648	\$4,234,706	\$4,583,354
TOTAL LIABILITIES AND NET ASSETS	\$438,743	\$5,802,722	\$6,241,465

**MANAGEMENT'S DISCUSSION AND ANALYSIS
CARP LAKE TOWNSHIP**

Results of Operations

The following represents the changes in net assets for both governmental and business-type activities for the years ended March 31, 2006 and 2005. The following statements reflect a condensed statement of activities with the respective changes in net assets for the periods reported.

	Primary Government-March 31, 2006		
	Governmental	Business-Type	
	<u>Activities</u>	<u>Activities</u>	<u>Total</u>
REVENUES			
Program Revenue:			
Charges for services	\$7,797	\$151,913	\$159,710
General Revenue:			
Property taxes	93,155		93,155
Other income	8,357	1,655	10,012
Unrestricted grants	61,900		61,900
Restricted grants	5,580	497,406	502,986
Total Revenue	\$176,789	\$650,974	\$827,763
EXPENSES:			
General Government	\$78,471		\$78,471
Public Safety	27,547		27,547
Public Works	20,378		20,378
Recreation and Culture	10,370		10,370
Other Expenses	7,317		7,317
Total Expenses	\$144,083	\$	\$144,083
Business-Type Activities:			
Water & Sewer Expenses		\$619,219	\$619,219
Increase (Decrease) in Net Assets	\$32,706	\$31,755	\$64,461
Net Assets, Beginning of Year	348,648	4,234,706	4,583,354
Net Assets, End of Year	\$381,354	\$4,266,461	\$4,647,815

MANAGEMENT'S DISCUSSION AND ANALYSIS
CARP LAKE TOWNSHIP

Primary Government-March 31, 2005

	<u>Governmental Activities</u>	<u>Business-Type Activities</u>	<u>Total</u>
REVENUES			
Program Revenue:			
Charges for services	\$6,720	\$151,752	\$158,472
General Revenue:			
Property taxes	56,170		56,170
Other income	19,268	12,399	31,667
Unrestricted grants	73,361		73,361
Restricted grants	78,056	2,947,546	3,025,602
Total Revenue	<u>\$233,575</u>	<u>\$3,111,697</u>	<u>\$3,345,272</u>
EXPENSES:			
General Government	\$69,241		\$69,241
Public Safety	21,068		21,068
Public Works	60,109		60,109
Recreation and Culture	24,395		24,395
Other Expenses	3,591		3,591
Total Expenses	<u>\$178,404</u>	<u>\$</u>	<u>\$178,404</u>
Business-Type Activities:			
Water & Sewer Expenses		\$202,622	\$202,622
Increase (Decrease) in Net Assets	<u>\$55,171</u>	<u>\$2,909,075</u>	<u>\$2,964,246</u>
Net Assets, Beginning of Year	293,477	1,325,631	1,619,108
Net Assets, End of Year	<u>\$348,648</u>	<u>\$4,234,706</u>	<u>\$4,583,354</u>

Governmental Activities

Property taxes, Federal and State Shared revenues comprise \$160,635 or approximately 91 percent of total governmental revenues. The Township also collected \$7,797 for services provided.. The Township expended \$144,083 on governmental programs and services. Some of the largest expense categories were for general government and public works where \$78,471 (54%) and \$27,547 (19%), respectively, were reported.

MANAGEMENT'S DISCUSSION AND ANALYSIS CARP LAKE TOWNSHIP

Business-Type Activities

Business-type activities was increased the Township's net assets by \$31,755. Charges for services for sewer activities for the year were \$151,913, whereas, grant capital contributions amounted to \$497,406, and expenditures amounted to \$619,219.

Financial Analysis of Governmental Funds

As previously noted, the Township uses fund accounting to ensure and demonstrate compliance with finance-related requirement.

Governmental Funds

The focus of the Township's governmental fund is to provide information on near-term inflows, outflows, and balances of spendable resources. This information is useful in assessing the Township's financing requirements. In particular, unreserved net assets balance may serve as a useful measure of a government's net resources available for spending at the end of the year. The Township's governmental funds reported combined ending net asset balances of \$381,354 of which \$81,380 is reserved or related to investment in capital assets, leaving a remaining balance of \$299,974 for spending at the government's discretion.

On the General Fund budgetary basis of accounting, the Township ended the year with revenue 40% greater than the budget and expenditures were 4% more than the budgeted amount. Significant positive revenue variances were recorded for property taxes.

Proprietary Fund

The Township's proprietary fund provides the same type of information found in the government-wide financial statements, but in more detail.

Unrestricted net assets of the Sewer Fund as of March 31, 2006 were \$412,618.

Capital Assets and Debt Administration

The Township's investment in capital assets, net of accumulated depreciation for its governmental and business-type activities as of March 31, 2006 was \$5,612,284.

Major capital expenditure for governmental funds were for Township's driveway and sidewalk improvements, whereas, the proprietary fund was for lagoon and system improvements and final payments to the contractors.

**MANAGEMENT'S DISCUSSION AND ANALYSIS
CARP LAKE TOWNSHIP**

Other Economic Factors and Next Years Budget

Economic Factors

Currently, the State of Michigan is experiencing a severe budgetary crisis. As such, it is anticipated that future state cuts will likely translate into strategic reductions of Township expenses to maintain a sound budget. Despite the poor outlook of the state's budget, the Township will continue to strive to provide good social and cultural conditions that support healthy families and maintain a safe and clean community in which to live.

Request for Information

This financial report is designed to provide a general overview of the Township's finances for all those with an interest. Questions concerning any of the information provided in this report or requests for additional information should be addressed to:

Township Supervisor
Carp Lake Township
PO Box 397
White Pine, MI 49971

**CARP LAKE TOWNSHIP
STATEMENT OF NET ASSETS**

March 31, 2006

	<u>Government Activities</u>	<u>Business – type Activities</u>	<u>Totals</u>
ASSETS			
Current Assets:			
Cash and cash equivalents	\$308,370	\$67,743	\$376,113
Accounts receivable-net	19,041	165,166	184,207
Delinquent taxes receivable	22,332		22,332
Due from other funds	3,633		3,633
Accrued interest income	550		550
Deferred charges	4,920	7,718	12,638
Total Current Assets	\$358,846	\$240,627	\$599,473
RESTRICTED ASSETS:			
Restricted cash	23,057	175,550	198,607
NON-CURRENT ASSETS:			
Capital assets	67,222	5,932,405	5,999,627
Accumulated depreciation	(11,133)	(393,987)	(405,120)
Loan acquisition costs-net		17,777	17,777
Total Non-Current Assets	56,089	5,556,195	5,612,284
TOTAL ASSETS	\$437,992	\$5,972,372	\$6,410,364
LIABILITIES			
Current Liabilities:			
Accounts payable	\$15,146	\$2,094	\$17,240
Accounts payable – construction		167,352	167,352
Accrued wages/taxes	4,027	591	4,618
Due to other funds		874	874
Current maturity on long-term debt	4,282	16,000	20,282
Total Current Liabilities	\$23,455	\$186,911	\$210,366
NON-CURRENT LIABILITIES			
Bonds payable		1,535,000	1,535,000
Loan payable	37,465		37,465
Current maturity on long-term debt	(4,282)	(16,000)	(20,282)
Total Non-Current Liabilities	33,183	1,519,000	1,552,183
TOTAL LIABILITIES	\$56,638	\$1,705,911	\$1,762,549
NET ASSETS			
Investment in capital assets, net of related debt	\$56,089	\$3,853,843	\$3,909,932
Reserved	25,291		25,291
Unreserved	299,974	412,618	712,592
Total Net Assets	\$381,354	\$4,266,461	\$4,647,815
TOTAL LIABILITIES AND NET ASSETS	\$437,992	\$5,972,372	\$6,410,364

The accompanying notes are an integral part of the financial statements.

CARP LAKE TOWNSHIP
STATEMENT OF ACTIVITIES
Year Ended MARCH 31, 2006

Functions/Programs	<u>Expenses</u>	<u>Program Revenues</u>	Net (Expense) Revenue
Governmental Activities			
General government	\$78,471	\$715	(\$77,756)
Public safety	27,547	7,082	(20,465)
Public works	20,378		(20,378)
Recreation and culture	10,370		(10,370)
Other	7,317		(7,317)
Total Governmental Activities	\$144,083	\$7,797	(\$136,286)
Business-type Activities			
Sewer	619,219	151,913	(467,306)
Total Business – type Activities	\$619,219	\$151,913	(\$467,306)
Total	\$763,302	\$159,710	(\$603,592)

Changes in Net Assets

	<u>Governmental Activities</u>	<u>Business – type Activities</u>	<u>Total</u>
Net (Expense) Revenue	(\$136,286)	(\$467,306)	(\$603,592)
General Revenues:			
Property taxes	93,155		93,155
Federal Shared revenues	5,580		5,580
State-Shared revenues	61,900		61,900
Investment income	5,776	1,655	7,431
Capital contributions		497,406	497,406
Other revenues	2,581		2,581
Total General Revenues	\$168,992	\$499,061	\$668,053
Changes in Net Assets	\$32,706	\$31,755	\$64,461
Net Assets at Beginning of Year	348,648	4,234,706	4,583,354
Net Assets at End of Year	\$381,354	\$4,266,461	\$4,647,815

The accompanying notes are an integral part of the financial statements.

CARP LAKE TOWNSHIP
BALANCE SHEET
GOVERNMENTAL FUNDS
March 31, 2006

	<u>General Fund</u>	<u>Road Fund</u>	<u>Other Governmental Funds</u>	<u>Totals</u>
ASSETS				
Current Assets:				
Cash and cash equivalents	\$167,389	\$138,168	\$2,813	\$308,370
Accounts receivable-net	16,041		3,000	19,041
Delinquent taxes receivable	22,332			22,332
Due from other funds	3,633	3,060	51	6,744
Accrued interest income	424	126		550
Deferred charges	4,920			4,920
TOTAL CURRENT ASSETS	\$214,739	\$141,354	\$5,864	\$361,957
NON-CURRENT ASSETS				
Restricted cash	23,057			23,057
TOTAL NON-CURRENT ASSETS	23,057			23,057
TOTAL ASSETS	\$237,796	\$141,354	\$5,864	\$385,014
LIABILITIES				
Current Liabilities				
Accounts payable	\$9,282	\$	\$5,864	\$15,146
Accrued wages/taxes	4,027			4,027
Due to other funds	3,111			3,111
TOTAL CURRENT LIABILITIES	\$16,420	\$	\$5,864	\$22,284
TOTAL LIABILITIES	\$16,420	\$	\$5,864	\$22,284
FUND BALANCES				
Reserved	25,291			25,291
Unreserved	196,085	141,354		337,439
TOTAL FUND BALANCES	\$221,376	\$141,354	\$	\$362,730
TOTAL LIABILITIES AND FUND BALANCES	\$237,796	\$141,354	\$5,864	\$385,014

The accompanying notes are an integral part of the financial statements.

CARP LAKE TOWNSHIP
STATEMENT OF REVENUES, EXPENDITURES,
AND CHANGES IN FUND BALANCE
GOVERNMENTAL FUNDS
Year ended March 31, 2006

	<u>General Fund</u>	<u>Road Fund</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
REVENUES:				
Taxes	\$67,634	\$	\$	\$67,634
Other taxes	22,396			22,396
Tax administrative fees	3,125			3,125
Federal shared revenues		5,580		5,580
State shared revenues	60,921	979	1,752	63,652
Charges for services			5,330	5,330
Rental income	715			715
Interest	3,038	2,738		5,776
Other revenue	2,581			2,581
	<u>\$160,410</u>	<u>\$9,297</u>	<u>\$7,082</u>	<u>\$176,789</u>
EXPENDITURES				
Legislative	\$22,827	\$	\$	\$22,827
General government	56,547			56,547
Public safety	13,717		7,575	21,292
Public works	19,821	19,095		38,916
Recreation and culture	10,370			10,370
Other	7,317			7,317
Debt service-principal	4,282			4,282
	<u>\$134,881</u>	<u>\$19,095</u>	<u>\$7,575</u>	<u>\$161,551</u>
EXCESS OF REVENUES (EXPENDITURES)	25,529	(9,798)	(493)	15,238
OTHER FINANCING SOURCES (USES)				
Transfers to/from other funds	(493)		493	
EXCESS OF REVENUES (EXPENDITURES) AND OTHER FINANCING USES	<u>\$25,036</u>	<u>(\$9,798)</u>		<u>\$15,238</u>
Fund Balance at 3/31/2005	196,340	151,152		347,492
FUND BALANCE MARCH 31, 2006	<u>\$221,376</u>	<u>\$141,354</u>	<u>\$</u>	<u>\$362,730</u>

The accompanying notes are an integral part of the financial statements.

CARP LAKE TOWNSHIP
RECONCILIATION OF THE GOVERNMENTAL FUND TYPE STATEMENT
OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE
WITH THE STATEMENT OF ACTIVITIES

GOVERNMENTAL FUNDS
Year ended March 31, 2006

Continued

Reconciliation of the changes in fund balances – Total Governmental Funds
to the changes in net assets of governmental activities:

Net change in Fund Balances-Total Governmental Funds	\$15,238
--	----------

Amounts reported for governmental activities in the Statement of Activities
different because:

Governmental funds report capital outlays as expenditures while governmental
activities report those costs as in the Statement of Net Assets and report an annual
depreciation expense over the life of the assets in the Statement of Activities.

Capital outlays	20,636
Depreciation expense	(7,450)

Payment of long-term debt is reported as an expenditure in the governmental
funds, but it reduces long-term liabilities in the Statement of Net Assets
and does effect the Statement of Activities.

4,282

Change in Net Assets of Governmental Activities

\$32,706

The accompanying notes are an integral part of the financial statements.

CARP LAKE TOWNSHIP
STATEMENT OF NET ASSETS
PROPRIETARY FUND
March 31, 2006

ASSETS

CURRENT ASSETS:

Cash and cash equivalents	\$67,743
Accounts receivable-net	68,514
Accounts receivable-grant	96,652
Deferred charges	7,718
Total Current Assets	<u>240,627</u>

NON CURRENT ASSETS-RESTRICTED ASSETS:

Cash	175,550
Total Restricted Assets	<u>175,550</u>

CAPITAL ASSETS:

Property, plant and equipment	5,932,405
Accumulated depreciation	(393,987)
Total Capital Assets	<u>5,538,418</u>

OTHER ASSETS;

Bond issue costs, net	17,777
TOTAL ASSETS	<u><u>\$5,972,372</u></u>

LIABILITIES AND NET ASSETS

CURRENT LIABILITIES:

Accounts payable	\$2,094
Accounts payable-construction	167,352
Accrued wages	591
Due to other funds	874
Current maturity on long-term debt	16,000
Total Current Liabilities	<u>186,911</u>

LONG TERM LIABILITIES

Revenue bonds payable	1,535,000
Less current maturity on long-term debt	(16,000)
Total Long Term Liabilities	<u>1,519,000</u>

TOTAL LIABILITES 1,705,911

NET ASSETS:

Investment in capital assets, net of related debt	3,853,843
Unreserved	412,618

TOTAL NET ASSETS 4,266,461

TOTAL LIABILITIES AND NET ASSETS \$5,972,372

The accompanying notes are an integral part of the financial statements.

CARP LAKE TOWNSHIP
STATEMENT OF REVENUE, EXPENSES, AND CHANGES IN
NET ASSETS - PROPRIETARY FUND TYPE
Year ended March 31, 2006

Operating revenues:	
Charges for services	\$150,133
Other revenues	1,780
Total Operating Revenues	151,913
Operating expenses:	
Personnel services/taxes and benefits	8,040
Purchases of services	20,181
Provision for depreciation/amortization	138,490
Operating supplies/maintenance	3,567
Operating permits	400
Utilities	7,491
Insurance	5,811
Office supplies	2,660
Communications	409
Printing and publications	213
Miscellaneous	459
Total Operating Expenses	187,721
Operating income (loss)	(35,808)
Non-operating revenues (expenses):	
Interest income	1,655
Loss on disposal of assets	(362,950)
Interest expense	(68,548)
Total non-operating revenue (expenses)	(429,843)
Net Income Before Contributions	
Capital contributions	497,406
Change in Net Assets	31,755
Net Assets - March 31, 2005	4,234,706
NET ASSETS - MARCH 31, 2006	\$4,266,461

The accompanying notes are an integral part of the financial statements.

CARP LAKE TOWNSHIP
STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS TYPE
Year ended March 31, 2006

CASH FLOWS FROM OPERATING ACTIVITIES:

Receipts from customers	\$159,603
Sales proceeds and reimbursements	65,643
Payments to supplies	(44,554)
Payments to employees	(8,488)
Net Cash Provided (Used) by Operating Activities	<u>\$172,204</u>

CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:

Purchase of capital assets	(549,326)
Capital contributions	497,406
Principal paid on bonds payable	(16,000)
Interest paid on bonds payable	(68,548)
Net Cash Provided (Used) for Capital and Related Financing Activities	<u>(136,468)</u>

CASH FLOWS FROM INVESTING ACTIVITIES:

Interest received on investments	1,655
Net Cash Provided (Used) by Investing Activities	<u>1,655</u>

NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS 37,391

Cash and Cash Equivalents, March 31, 2005 205,902

CASH AND CASH EQUIVALENTS, MARCH 31, 2006 **\$243,293**

RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH PROVIDED BY OPERATING ACTIVITIES:

Operating income (loss)	(\$35,808)
Adjustments to reconcile income (loss) to net cash provided (used) by operating activities:	
Depreciation/amortization	138,490
Change in assets and liabilities:	
Accounts receivable	(81,015)
Prepaid insurance	(3,358)
Accounts payable	154,343
Accrued wages	(448)
Net Cash Provided by Operating Activities	<u>\$172,204</u>

Noncash investing, capital and financing activities: None

The accompanying notes are an integral part of the financial statements.

CARP LAKE TOWNSHIP
FIDUCIARY FUNDS
STATEMENT OF FIDUCIARY NET ASSETS
Year ended March 31, 2006

Agency Funds				
	Tax Collection <u>Fund</u>	Trust & Agency <u>Fund</u>	Pension <u>Fund</u>	<u>Totals</u>
ASSETS				
Cash and cash equivalents	\$2,615	\$1,218	\$	\$3,833
TOTAL ASSETS	\$2,615	\$1,218	\$	\$3,833
LIABILITIES				
Due to Township	\$2,615	\$144	\$	\$2,759
Due to Others		1,074		1,074
TOTAL LIABILITIES	\$2,615	\$1,218	\$	\$3,833
NET ASSETS				
Held in trust for pension benefits				
TOTAL NET ASSETS				
TOTAL LIABILITIES AND NET ASSETS	\$2,615	\$1,218	\$	\$3,833

The accompanying notes are an integral part of the financial statements

CARP LAKE TOWNSHIP
 FIDUCIARY FUNDS
 STATEMENT OF CHANGES IN FIDUCIARY NET ASSETS
 PENSION FUND
 Year ended March 31, 2006

		Agency Funds
<hr/>		
	ADDITIONS	
Contributions		\$
Interest income		
	TOTAL ADDITIONS	<hr/> \$
	DEDUCTIONS	
Benefits and Transfers		\$4,515
	TOTAL DEDUCTIONS	<hr/> \$4,515
Changes in Net Assets		(4,515)
Net Assets at Beginning of Year		<hr/> 4,515
NET ASSETS END OF YEAR		<hr/> \$

The accompanying notes are an integral part of the financial statements

CARP LAKE TOWNSHIP

NOTES TO FINANCIAL STATEMENTS

March 31, 2006

NOTE A - STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES

General Statement

Carp Lake Township operates with an elected board of trustees, which includes a supervisor, clerk and treasurer. The Township provides to its residents, services in many areas including public safety, highways and streets, sanitation, culture and recreation, planning and zoning, and general administrative services.

The Township complies with generally accepted accounting principles (GAAP). GAAP includes all relevant Governmental Accounting Standards Board (GASB) pronouncements. In the government-wide financial statements and the fund financial statements for the proprietary funds, Financial Accounting Standards Board (FASB) pronouncements and Accounting Principles Board (APB) opinions issued on or before November 30, 1989, have been applied unless those pronouncements conflict with or contradict GASB pronouncements, in which case, GASB prevails. For enterprise funds, GASB Statement Nos. 20 and 34 provide the Township the option of electing to apply FASB pronouncements issued after November 30, 1989. The Township has elected not to apply those pronouncements. The accounting and reporting framework and the more significant accounting policies are discussed in subsequent subsections of this Note.

Reporting Entity

In accordance with the provisions of the Governmental Accounting Board's Statement No. 14 "The Financial Reporting Entity," these financial statements of the Township contain all the Township funds and component units that are controlled by or dependent on the Township's executive or legislative branches. The criteria established by the GASB for determining the reporting entity includes oversight responsibility, fiscal dependency, and whether the financial statements would be misleading if data were not included. Based on these criteria, the Township has no component units. The local school district and district library are not included as component units in the financial statements of the Township. These units are separate governmental entities.

Basis of Presentation

The Statement of Net Assets and Statement of Activities display information about the reporting as a whole. They include all funds of the reporting entity except for fiduciary funds. The statements distinguish between governmental and business-type activities. Governmental activities generally are financed through taxes, intergovernmental and other nonexchange revenues. Business-type activities are financed in whole or in part by fees charged to external parties for goods and services.

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

Fund Financial Statements:

Fund financial statements of the reporting entity are organized into funds, each of which is considered to be separate accounting entities. Each fund is accounted for by providing a separate set of self-balancing accounts that constitute its assets, liabilities, fund equity, revenues, and expenditure/expenses. Funds are organized into three major categories: governmental, proprietary, and fiduciary. An emphasis is placed on major funds within the governmental and proprietary categories. A fund is considered major if it is the primary operating fund of the Township or meets the following criteria:

- a. Total assets, liabilities, revenues, or expenditures/expenses of that individual governmental or enterprise fund are at least 10% percent of the corresponding total for all funds in that category or type; and
- b. Total assets, liabilities, revenues or expenditures/expenses of the individual governmental fund or enterprise fund are at least 5% percent of the corresponding total for all governmental and enterprise funds combined.

The funds of the financial reporting entity are described below:

GOVERNMENTAL FUNDS

General Fund - is the primary operating fund of the Township and always classified as a major fund. This fund is used to account for all financial resources except those legally or administratively required to be accounted for in another fund.

Special Revenue Funds - are used by the Township to account for the proceeds of specific revenue sources such as Road, Building Inspections, Liquor Enforcement and Power Plant Funds that are legally restricted to expenditures for specific purposes.

Capital Project Fund - are used to account for financial resources to be used for the infrastructure improvements and environmental cleanup efforts at the White Pine Industrial Park.

PROPRIETARY FUNDS

Enterprise Funds - report operations that provide services, which are financed primarily by user charges, or activities where periodic measurement of net income is appropriate for capital maintenance, public policy, management control or other purposes. The funds are used to account for utility operations in a manner similar to private business enterprises. The intent of the Township is to recover operating expenses, including depreciation, through user charges.

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

FIDUCIARY FUND TYPE (Not included in government-wide statements)

Agency Funds - These funds are used to account for assets held by the Township in a trustee capacity or as an agent for other governments and/or other funds. They include the Tax Collections, Trust and Agency, and Pension Funds. These funds are custodial in nature and do not involve measurement of results of operations. The Pension Fund is a trust fund used to account for the accumulation of resources deposited into a defined contribution pension plan payable to retired employees. As of March 31, 2005, the Township Board elected not to participate in the retirement plan and allowed all employees to either roll over their retirement plans to individual accounts or receive a payout. As of March 31, 2006, there are no monies remaining in the Township's pension plan.

MAJOR AND NONMAJOR FUNDS

The governmental and enterprise funds of the Township are further classified as major and nonmajor funds as follows:

<u>Funds</u>	<u>Brief Description</u>
<u>MAJOR FUNDS</u>	
1. General	See above for description.
2. Road	Account for revenues and expenditures of road and sidewalk operations.
3. Sewer	Account for revenues and expenses of providing sewer services to the public.
<u>NONMAJOR FUNDS</u>	
Special Revenue:	
4. Liquor Law Enforcement	Account for enforcement of compliance with liquor law operations.
5. Building Inspection	Account for revenues and expenditures of building inspection services.
6. Power Plant	Account for revenues and expenditures of environmental studies of potential power plant development.
Capital Projects:	
7. Industrial Park Cleanup	Account for revenues and expenditures of environmental studies concerning industrial park.

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

Measurement Focus

On the government-wide Statement of Net Assets and the Statement of Activities, both governmental and business-like activities are presented using the economic resources measurement focus as defined in item b. below.

In the fund financial statements, the “current financial resources” measurement focus or the “economic resources” measurement focus is used as appropriate:

- a. All governmental funds utilize a “current financial resources” measurement focus. Only current financial assets and liabilities are generally included on their balance sheets. Their operating statements present sources and uses of available spendable financial resources during a given period. These funds use fund balance as their measure of available spendable financial resources at the end of the period.
- b. The proprietary funds utilize an “economic resources” measurement focus. The accounting objectives of this measurement focus are the determination of operating income, changes in net assets (or cost recovery), financial position, and cash flows. All assets and liabilities (whether current or noncurrent) associated with their activities are reported. Proprietary fund equity is classified as net assets.

Basis of Accounting

In the government-wide Statement of Net Assets and Statement of Activities, both governmental and business-like activities are presented using the accrual basis of accounting. Under the accrual basis of accounting, revenues are recognized when earned and expenses are recorded when the liability is incurred or economic asset used. Revenues, expenses, gains, losses, assets, and liabilities resulting from exchange and exchange-like transactions are recognized when the exchange takes place.

In the fund financial statements, governmental funds and agency funds are presented on the modified accrual basis of accounting. Under the modified accrual basis of accounting, revenues are recognized when “measurable and available.” Measurable means knowing or being able to reasonably estimate the amount. Available means collectible within the current period or within sixty days after year end with the exception of State Shared Revenues earmarked for the period under audit. Expenditures (including capital outlay) are recorded when the related fund liability is incurred, except for general obligation bond principal and interest which are reported when due.

All proprietary funds utilize the accrual basis of accounting. Under the accrual basis of accounting, revenues are recognized when earned and expenses are recorded when the liability is incurred or economic assets used.

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

Budgets and the Budgetary Process

The Township follows these procedures in establishing the budgetary data reflected in the financial statements:

1. Prior to April 1, the Township Supervisor submits to the Township Board a proposed operating budget for the fiscal year commencing April 1. The operating budget includes proposed expenditures and the means of financing them.
2. A public hearing is held at the annual Township Board meeting to obtain taxpayers comments.
3. Prior to April 1, the budget is legally enacted by the Township Board.
4. Any revisions to the budgeted amounts must be approved by the Township Board.
5. Budgets for the General Fund and Special Revenue Funds were adopted on a basis consistent with generally accepted accounting principles.
6. Budgeted amounts presented in the financial statements are as originally adopted and subsequently amended.

All budget appropriations lapse at year end.

The Township Board did not comply with all the provisions of P.A. 621 of 1978, in when expenditures exceed budgetary amounts; budget amendments should have been adopted. Budget variances which would have required amendments according to activity level are reflected on page 43.

ASSETS, LIABILITIES, AND EQUITY

Cash and Investments

For the purpose of the Statement of Net Assets, "cash, including time deposits" includes all demand, savings accounts, and certificates of deposits of the Township. For the purpose of the proprietary fund Statement of Cash Flows, "cash and cash equivalents" include all demand and savings accounts, and certificates of deposit or short-term investments with an original maturity of three months or less.

Interfund Receivables and Payables

During the course of operations, numerous transactions occur between individual funds that may result in amounts owed between funds. Those related to goods and services type transactions are classified as "due to and from other funds." Short-term interfund loans are reported as "interfund receivables and payables." Long-term interfund loans (noncurrent portion) are reported as "advances from and to other funds." Interfund receivables and payables between funds within governmental activities are eliminated in the government-wide financial statements. See Note H for details of interfund transactions, including receivables and payable at year-end.

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

Receivables

In the government-wide statements, receivables consist of all revenues earned at year-end and not yet received. Allowances for uncollectible accounts receivable are based upon historical trends and the periodic aging of accounts receivable. Major receivable balances for the governmental activities include sales and use taxes; delinquent real property taxes; and tax administrative fees. Business-type activities report utilities earnings, grant funding and engineering firms contribution to construction costs as the major receivables.

In the fund financial statements, material receivables in governmental funds include revenue accruals, such as State Share revenues and other similar intergovernmental revenues since they are usually both measurable and available. Interest and investment earnings are recorded when accrued. Proprietary fund material receivables consist of all revenues earned at year-end and not yet received. Utility accounts receivable and grant proceeds compose the majority of proprietary fund receivables. Estimated unbilled revenues are recognized at the end of each fiscal year on a pro rata basis. The estimated amount is based on billings during the month following the close of the fiscal year. The Township has adopted an ordinance effective September 1, 1999, which would allow for delinquent accounts to be added to the tax roll and can be a lien against real property. Receivables are considered fully collectable.

Inventories

The inventories of the Township's general and enterprise funds consist of small supplies which are considered to be immaterial and are not recognized in the financial statements

Prepaid Items

Prepaid items are payments to vendors that benefit future reporting periods also reported on the consumption basis. Prepaid items are similarly reported in the government-wide and fund financial statements.

Fixed Assets

The accounting treatment over property, plant and equipment (fixed assets) depends on whether the assets are used in governmental fund operations or proprietary fund operations and whether they are reported in the government-wide or fund financial statements.

Government-wide Statements

In the government-wide financial statements, capital assets valued at \$200 or more and with useful lives of more than one year are stated at historical costs or estimated historical cost if actual cost is unavailable, except for donated fixed assets which are recorded at their estimated fair value at the date of donation. Proprietary capital assets are reported in their respective fund.

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

The costs of normal maintenance and repairs that do not add to the asset value or materially extend useful lives are not capitalized. Depreciation of all exhaustible fixed assets is recorded as an allocated expense in the Statement of Activities, with accumulated depreciation reflected in the Statement of Net Assets. Depreciation has been provided over the useful lives using the straight-line method of depreciation. When capital assets are disposed, the cost and applicable accumulated depreciation are removed from the respective accounts, and the resulting gain or loss is recorded in operations. The range of estimated useful lives by type of asset is as follows:

Utility Plant	24-50 Years
Land improvements	20 Years
Equipment	5-10 Years
Software/office equipment	3-7 Years

Fund Financial Statements

In the fund financial statements, fixed assets used in governmental fund operations are accounted for as capital outlay expenditures of the governmental fund upon acquisition. Fixed assets used in proprietary fund operations are accounted for the same as in the government-wide statements.

Restricted Assets

Restricted assets include cash and investments that are legally restricted as to their use. The primary restricted assets in the Proprietary Fund are to be used for capital projects and debt service requirements per bond ordinance.

The Governmental Fund has designated monies for future debt retirement on economic development activities and a separate tax levy in support of fire department activities.

Long-term Debt

The accounting treatment of long-term debt depends on whether the assets are used in governmental fund operations of proprietary fund operations and whether they are reported in the government-wide or fund financial statements.

All long-term debt to be repaid from governmental and business-type resources is reported as liabilities in the government-wide statements. The long-term debt consists primarily of revenue bonds and an installment loan agreement with the State of Michigan pertaining to economic development.

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

Long-term debt for governmental funds is not reported as liabilities in the fund financial statements. The debt proceeds are reported as other financing sources and payment of principle and interest reported as expenditures. The accounting for proprietary fund is the same in the fund statements as it is in the government-wide statements.

Compensated Absences

The Township's policies regarding vacation and sick leave time permits employees to accumulate earned by unused vacation and sick leave. The liability for these compensated absences is recorded as long-term in the government-wide statements. The Township laid off it only employee in the prior year and made payment for all accumulated leave benefits. There are no employees that are entitled to compensated absences for the year ended March 31, 2006.

Equity Classifications

Government-wide Statements

Equity is classified as net assets and displayed in three components:

- Invested in capital assets, net of related debt – Consists of capital assets including restricted capital assets, net of accumulated depreciation and reduced by the outstanding balances of any bonds, mortgages, notes, or other borrowings that are attributable to the acquisition, construction, or improvement of those assets.
- Restricted net assets – Consists of net assets with constraints placed on the use either by (1) external groups such as creditors, grantors, contributors, or laws or regulations of other governments; or (2) law through constitutional provisions or enabling legislation.
- Unrestricted net assets – All other net assets that do not meet the definition of "restricted" or "invested in capital assets, net of related debt."

Fund Statement

Governmental fund equity is classified as fund balance. Fund balance is further classified as reserved and unreserved. Proprietary fund equity is classified the same as in the government-wide statements.

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

Property Taxes

Property taxes attach as an enforceable lien on property as of December 31. Taxes are levied on the ensuing December 1. The Township bills and collects its own property taxes and also collects current rolls for the County. The Township records delinquent real property taxes as revenue upon levy; since the County will sell tax notes and remits monies to the various units of government shortly after year end.

Operating Revenues and Expenses

Operating revenues and expenses for proprietary funds are those that result from providing services and producing and delivering goods, and/or services. It also includes all revenue and expenses, not related to capital and related financing, noncapital financing, or investing activities.

Expenditures/Expenses

In government-wide financial statements, expenses are classified by function for both governmental and business-type activities.

In the fund financial statements, expenditures are classified as follows:

Governmental Funds – By Character:

Current (further classified by function)
Debt Service

Proprietary Fund – By Operating and Nonoperating

In the fund financial statements, governmental funds report expenditures of financial resources. Proprietary funds report expenses relating to use of economic resources.

Interfund Transfers

Permanent reallocation of resources between funds of the reporting entity is classified as interfund transfers. For the purposes of the Statement of Activities, all interfund transfers between individual governmental funds have been eliminated.

Use of Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenditures/expenses during the reporting period. Actual results could differ from those estimates.

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

Interest Expense

Interest on revenue bond indebtedness is recorded as expenditure as accrued.

Interest Receivables

Interest on investments is recorded as revenue in the year the interest is earned and is available to pay liabilities of the current period.

Deferred Loan Cost

Deferred loan costs consist of attorney fees and other costs paid in connection with receiving approval of new bond proceeds. The bonds acquisition costs (\$18,713) are being amortized to operations over the life of bonds (40 years). The current year amortization expense is \$468.

Property Tax Revenues

Properties are assessed as of December 31 and the related property taxes become a lien of December 1 of the following year. These taxes are due on February 14 of the ensuing year with the final collection date of February 28 before they are added to the delinquent tax rolls. The Township records real property taxes as revenue when levied and a corresponding receivable account established. The County advances the Township an amount equal to the delinquent real taxes turned over shortly after year end.

NOTE B – BALANCE SHEET - CASH AND INVESTMENTS

Deposits are carried at cost. Deposits are in several financial institutions in the name of the Township. Michigan Compiled Laws authorizes the Township to deposit and invest in the accounts of federally insured banks, credit unions, and savings and loan associations. Investments can also be made in bonds, securities and other obligations of the United States, or an agency or instrumentality of the United States government or Federal agency obligation repurchase agreements; bankers' acceptance of the United States banks; commercial paper rated within the three highest classifications by not less than two standard ratings services which mature not more than 270 days after the date of purchase and which involve no more than 50 percent of any one fund. Michigan law prohibits security in the form of collateral, surety bonds, or other forms for the deposit of public money. Attorney General's Opinion No. 6168 states that public funds may not be deposited in financial institutions located in states other than Michigan. The Township's deposits are in accordance with statutory authority. Furthermore, certificates of deposits values approximate marker value.

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

The Governmental Accounting Standards Board (GASB) Statement No. 3, risk disclosures for deposits at year-end are as follows:

Cash deposited in banks insured by federal depository insurance	\$263,209
Cash on hand	50
Funds in excess of insurance limits	316,729
Less outstanding items	(1,434)
Total	<u>\$578,554</u>

NOTE C - ACCOUNTS RECEIVABLE

Accounts receivable and related allowances for uncollectible are as follows:

Fund	Receivable	Allowance	Net
General Fund	\$38,373	\$	\$38,373
Power Plant-SRF	\$3,000	\$	\$3,000
Sewer Fund	\$165,166	\$	\$165,166

General Fund- majority of accounts receivable were for State Shared Revenues and delinquent real property tax receipts. Special Revenue Fund – Power Plant, receivable is from the State of Michigan.

Proprietary Funds – (Sewer) Consist of grant receivable (USDA-\$96,652) on reimbursable expenses; vendor \$20,000 payment towards the final settlement payment resulting from a contractor's lawsuit; and customers unpaid balances. Trade accounts receivable were comprised of the following at March 31, 2006.

Customer billing (pro-rata) for the partial month ended March 2006-	\$6,000
Delinquent billings	42,514
Total	<u>\$48,514</u>

Delinquent account balances are placed on tax rolls and can be a lien against real property. Receivables are considered to be fully collectible.

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

NOTE D - SUMMARY OF TAX ROLL

Following is a summary of the 2005 property tax roll:

	<u>Levy</u>	<u>Taxes Returned Delinquent</u>	<u>Net Tax Collected</u>
Real/Personal Property taxes:			
County	\$413,302	\$105,788	\$307,514
Township	83,661	24,326	59,335
CFR	38,917		38,917
Delinquent utilities	18,519	13,370	5,149
Totals:	<u>\$554,399</u>	<u>\$143,484</u>	<u>\$410,915</u>
Taxable Valuation			
Real property	\$26,752,935		
Personal property	<u>7,247,709</u>		
Total	<u>\$34,000,644</u>		

NOTE E - DELINQUENT TAX RECEIVABLE

The County of Gogebic purchases the delinquent real property taxes of the Township for the 2005 levied. The County intends to sell tax notes, the proceeds of which will be used to pay the Township for these delinquent taxes shortly after yearend. The delinquent real property taxes are recorded as current year tax revenues.

NOTE F - LIQUOR LICENSE REBATES

Liquor license monies totaling \$1,752 were received during the year and were used to defray liquor law enforcement costs with the unexpended balance of monies transferred to the General Fund.

NOTE G - PUBLIC ACT 275 OF 1980 DISCLOSURE

The Township had no deficits in any funds as of March 31, 2006, which would require specific disclosure.

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

NOTE H - INTERFUND RECEIVABLES AND PAYABLE

The amounts of interfund receivables and payable at March 31, 2006, are as follows:

<u>Funds</u>	<u>Interfund Receivable</u>	<u>Funds</u>	<u>Interfund Payable</u>
General Fund-		Sewer Fund-	
Trust and Agency	\$144	General Fund	\$874
Tax Fund	2,615	Tax Fund-	
Sewer Fund	874	General Fund	2,615
Road Fund -		Trust & Agency-	
General Fund	3,060	General Fund	144
Power Plant-		General Fund-	
General Fund	51	Road Fund	3,060
		Power Plant	51
TOTALS	<u>\$6,744</u>		<u>\$6,744</u>

NOTE I - CAPITAL ASSETS

A summary of changes in general fixed assets follow:

Governmental Activities	<u>Balance at March 31, 2005</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance at March 31, 2006</u>
Capital Assets being Depreciated				
Land Improvements	\$	\$19,095	\$	\$19,095
Equipment	46,586	1,541		48,127
Subtotals	<u>\$46,586</u>	<u>\$20,636</u>	<u>\$</u>	<u>\$67,222</u>
Less Accumulated Depreciation	<u>(3,683)</u>	<u>(7,450)</u>		<u>(11,133)</u>
Net	<u><u>\$42,903</u></u>	<u><u>\$13,186</u></u>	<u><u>\$</u></u>	<u><u>\$56,089</u></u>

The Township elected to capitalize capital assets effective April 1, 2004 and thereafter. A complete physical inventory has not been accomplished for Governmental Activities holdings. Depreciation was charged as follows; \$638 Township Property, \$557 Public Works, and the balance of \$6,255 to Public Safety in the Governmental Funds Statement of Revenues, Expenditures and Changes in Fund Balance.

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

NOTE J - ENTERPRISE FUNDS – CAPITAL ASSETS

A summary of proprietary fund type property, plant and equipment at March 31, 2006 follows:

Business-Type Activities	Balance at March 31, 2005	Additions	Deletions	Balance at March 31, 2006
Capital Assets not Depreciated				
Land	\$50,000	\$	\$	\$50,000
Capital Assets being Depreciated				
Equipment	63,958	1,538		65,496
Utility plant	5,781,521	547,788	(512,400)	5,816,909
Subtotals	\$5,845,479	\$549,326	(\$512,400)	\$5,882,405
Less Accumulated Depreciation	(405,414)	(138,023)	149,450	(393,987)
Net	\$5,440,065	411,303		\$5,488,418
Governmental Activities Capital	\$5,490,065	\$411,303	(\$263,950))	\$5,538,418
Total Capital Assets				

Depreciation is computed using the straight-line method. The Township will need to allocate construction costs to various plant assets and determine useful lives. Sewer lines replaced were deleted based upon discussions with an engineering firm retained by the Township. There is still a need to allocate the various constructions costs recently incurred to particular components. Depreciation for new plant additions have been tentatively established at 50 years pending final allocations.

The new lagoon and sewer system was placed into operation December 2004, with the work being finalized in 2005. In July of 2006, the Township settled a lawsuit with a contractor which required a final payment of \$132,500. Of this final settlement amount, grant proceeds and an engineering firm's contribution of \$61,800 and \$20,000, respectively, were used to defray the final payment. The financial statements reflect the final payment to the contractor as an accounts payable, as well, as the contributions to be received as receivable in the Proprietary Fund Financial Statement as of March 31, 2006.

NOTE K - ACCOUNTS PAYABLE

The Proprietary Fund's account payables were for normal expenditures with included final construction costs and legal fee's payable at year end. The General Fund amounts were for normal accounts payable. The EDA program (State of Michigan DEQ) final payment to the Township was in excess of actual costs incurred resulting in an overpayment to be remitted back to the State of Michigan. Power plant engineering costs were authorized and incurred but unpaid, pending receipt of State grant monies.

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

NOTE L – LONG-TERM DEBT

A summary of the changes in general long-term debt follows:

	<u>Balance at April 1, 2005</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance at March 31, 2006</u>
Note payable	\$41,747	\$	\$4,282	\$37,465
Revenue bonds payable	1,551,000		16,000	1,535,000
	<u>\$1,592,747</u>	<u>\$</u>	<u>\$20,282</u>	<u>\$1,572,465</u>

Note Payable

Ontonagon County and the Township partnered, in a grant and loan arrangement with Michigan Jobs Commission in the development of infrastructure improvements in the industrial park. Upon program closeout, it was determined that \$83,455 was to be repaid by both parties, sharing equally. The annual payments of \$4,282 are being billed by the County to be repaid to MJS beginning October 2005. The loan is interest free and state shared revenues have been pledged as collateral. Future debt service payments are as follows:

<u>Year ending March 31,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2007	\$4,282	\$	\$4,282
2008	4,282		4,282
2009	4,282		4,282
2010	4,282		4,282
2011	4,282		4,282
2012-2015	16,055		16,055
Totals	<u>\$37,465</u>	<u>\$</u>	<u>\$37,465</u>

Revenue Bonds Payable

In October 2003, the Township issued Sewage Disposal System Bonds (Limited Tax General Obligations, Series 2003, in the amounts of \$361,000 and \$1,205,000, bearing the interest rates of 4.25% and 4.5%, respectively. They were both single issue bonds purchased by USDA-Rural Development. As of March 31, 2006, the outstanding balances were \$357,000 for the series 2003B bond and \$1,194,000 for series 2003A bond. These bonds are payable by the Township from service proceeds, with principal payments due October 1 and interest due April 1 and October 1 of each year. A summary of changes in long-term revenue bond debt for the year ended March 31, 2006 are as follows:

	<u>Balance at March 31, 2005</u>	<u>Additions</u>	<u>Payments</u>	<u>Balance at March 31, 2006</u>
Series 2003B	\$357,000	\$	\$4,000	\$353,000
Series 2003A	1,194,000		12,000	1,182,000
	<u>\$1,551,000</u>	<u>\$</u>	<u>\$16,000</u>	<u>\$1,535,000</u>

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

Year ending March 31,	<u>Series 2003 A</u>			<u>Series 2003 B</u>			<u>Totals</u>
	<u>April 1 Interest</u>	<u>October 1 Principal</u>	<u>October 1 Interest</u>	<u>April 1 Interest</u>	<u>October 1, Principal</u>	<u>October 1 Interest</u>	
2007	\$26,325	\$12,000	\$26,595	\$7,416	\$4,000	\$7,501	\$83,837
2008	26,033	13,000	26,325	7,331	4,000	7,416	84,105
2009	25,740	13,000	26,033	7,246	4,000	7,331	83,350
2010	25,425	14,000	25,740	7,161	4,000	7,246	83,572
2011	25,088	15,000	25,425	7,055	5,000	7,161	84,729
2012	24,750	15,000	25,088	6,949	5,000	7,055	83,842
2013	24,390	16,000	24,750	6,843	5,000	6,949	83,932
2014	24,008	17,000	24,390	6,736	5,000	6,843	83,977
2015	23,625	17,000	24,008	6,630	5,000	6,736	82,999
2016	23,220	18,000	23,625	6,503	6,000	6,630	83,978
2017	22,793	19,000	23,220	6,375	6,000	6,503	83,891
2018	22,343	20,000	22,793	6,248	6,000	6,375	83,759
2019	21,870	21,000	22,343	6,120	6,000	6,248	83,581
2020	21,375	22,000	21,870	5,971	7,000	6,120	84,336
2021	20,858	23,000	21,375	5,823	7,000	5,971	84,027
2022	20,318	24,000	20,858	5,674	7,000	5,823	83,673
2023	19,755	25,000	20,318	5,504	8,000	5,674	84,251
2024	19,170	26,000	19,755	5,334	8,000	5,504	83,763
2025	18,563	27,000	19,170	5,164	8,000	5,334	83,231
2026	17,933	28,000	18,563	4,973	9,000	5,164	83,633
2027	17,258	30,000	17,933	4,781	9,000	4,973	83,945
2028	16,560	31,000	17,258	4,590	9,000	4,781	83,189
2029	15,840	32,000	16,560	4,378	10,000	4,590	83,368
2030	15,075	34,000	15,840	4,165	10,000	4,378	83,458
2031	14,288	35,000	15,075	3,931	11,000	4,165	83,459
2032	13,455	37,000	14,288	3,698	11,000	3,931	83,372
2033	12,578	39,000	13,455	3,443	12,000	3,698	84,174
2034	11,678	40,000	12,578	3,188	12,000	3,443	82,887
2035	10,733	42,000	11,678	2,911	13,000	3,188	83,510
2036	9,743	44,000	10,733	2,635	13,000	2,911	83,022
2037	8,708	46,000	9,743	2,338	14,000	2,635	83,424
2038	7,628	48,000	8,708	2,040	14,000	2,338	82,714
2039	6,503	50,000	7,628	1,721	15,000	2,040	82,892
2040	5,333	52,000	6,503	1,403	15,000	1,721	81,960
2041	4,095	55,000	5,333	1,063	16,000	1,403	82,894
2042	2,813	57,000	4,095	701	17,000	1,063	82,672
2043	1,463	60,000	2,813	319	18,000	701	83,296
2044		65,000	1,463 ³⁸		15,000	319	81,782
	\$627,333	\$1,182,000	\$653,928	\$174,361	\$353,000	\$181,862	\$3,172,484

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

NOTE M - FUND BALANCE DESIGNATIONS

The Township has reserved the General Fund Balance by \$20,711 for future debt service payments and \$4,580 in restricted taxes monies to be used for fire department activities.

NOTE N - DEFINED CONTRIBUTION PENSION

The Township participated in a defined contribution, money purchase individual account pension plan for elected officials only. The Township Clerk administers the plan with the monies on deposit with Manulife Financial. The plan was established in 1969 and allows for immediate vesting by participants. Total pension expense was \$0 for the fiscal year ending March 31, 2006. The Township Board voted to discontinue the plan effectively April 1, 2005. The various participants made arrangements with the administrator to rollover their respective account to an Individual Retirement Account or take a taxable distribution. Monies were distributed as of March 31, 2006. Additional information was not available allowing for full disclosure.

NOTE O - RISK MANAGEMENT

The Township is exposed to various risks of losses related to tort; theft of, damage to and destruction of assets; errors and omissions; injuries to employees; and natural disasters. The Township has obtained coverage from commercial insurance companies. The Township has comprehensive general liability coverage of \$2,000,000 per occurrence and a \$4,000,000 aggregate limit, with no deductible amount.

All risk management activities are accounted for in the respective fund type. Expenditures and claims are recognized when it is probable that a loss has occurred and the amount of the loss can be reasonably estimated. In July 2006, in settling a lawsuit filed by a Contractor for work preformed on the lagoon system, it was agreed upon that the Township would make a final payment of \$132,500 for work items in dispute. The Proprietary Funds financial statements have been adjusted to recognize the subsequent settlement payment.

Management estimates that the amount of actual or potential claims against the Township as of March 31, 2006, will not materially affect the financial condition of the Township. Therefore, the financial statements contain no provision for estimated claims. No other claims resulting from these risks have exceeded commercial insurance coverage in any of the past four years beside as mentioned above.

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

NOTE P - CONTINGENCIES AND COMMITMENTS

In the normal course of operations, the Township receives loan and grant funds from various federal and state agencies from year to year. These programs are often subject to audit by agents of the lending and granting agencies, the purpose of which is to ensure compliance with conditions precedent to the awarding of funds. Any liability for reimbursement which may arise as a result of these audits cannot be reasonably determined at this time, although it is believed the amount, if any, would not be material.

NOTE Q - RESTRICTED CASH ACCOUNTS

The Township has established various cash accounts that have been reserved for future debt service payments or restricted based upon purpose for which monies were received or by ordinance. Details are as follows:

General Fund:	
Debt Service Payments	\$20,711
Fire Department Activities	\$2,346
Sewer Fund:	
Construction Account, this account used to received loan And grant proceeds to be used solely to pay for capital improvements.	\$162
Bond Reserve Account, these accounts are set aside in accordance with terms of the bond issues. The funds in these accounts shall be used solely for payment of principal and interest on the bonds as to which these would otherwise be default.	\$111,102
Repair, Replacement and Improvement Account, this account are set aside in accordance with terms of the bond issues and actions by the Board. These funds are to be used for repairs, replacements, or improvements to the sewer system. If the amounts of bond reserve accounts are not sufficient to pay on the bonds when due, these monies may be transferred for that purpose.	\$64,448

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

NOTE O – SEGMENT INFORMATION FOR ENTERPRISE FUNDS

The Township provides sewage services. Segment information as of March 31, 2006, follows:

	Sewer Utility Fund
Operating revenues	\$151,913
Depreciation/amortized expense	\$138,490
Operating income (loss)	(\$35,808)
Restrictive donations/grants	0
Operating transfers	0
Tax revenues	0
Increase (decrease) in Net Asset	\$31,755
Current capital contribution	\$497,406
Increase (decrease) in Fixed assets	\$48,353
Long-term debt payable from operating revenues	\$1,535,000
Net Assets Unreserved (deficit)	\$412,618

**REQUIRED SUPPLEMENTAL
FINANCIAL INFORMATION**

CARP LAKE TOWNSHIP
STATEMENT OF REVENUES, EXPENDITURES,
AND CHANGES IN FUND BALANCE- BUDGET TO ACTUAL
GENERAL FUND
For the Year ended March 31, 2006

	<u>Budgeted Amounts</u>			
	<u>Original</u>	<u>Final</u>	<u>Actual</u>	<u>Variance</u>
REVENUES				
Taxes	\$30,000	\$30,000	\$67,634	\$37,634
Other taxes	19,000	19,000	22,396	3,396
Tax administrative fees	3,000	3,000	3,125	125
State shared revenues	60,472	60,472	60,921	449
Rental income	1,620	1,620	715	(905)
Interest	500	500	3,038	2,538
Other revenue	47	47	2,581	2,534
	<u>\$114,639</u>	<u>\$114,639</u>	<u>\$160,410</u>	<u>\$45,771</u>
EXPENDITURES				
Legislative	\$21,387	\$21,387	\$22,827	(\$1,440)
General government	45,974	45,974	56,547	(10,573)
Public safety	21,448	21,448	13,717	7,731
Public works	16,000	16,000	19,821	(3,821)
Recreation and culture	13,830	13,830	10,370	3,460
Other	6,000	6,000	7,317	(1,317)
Debt service	4,282	4,282	4,282	
	<u>\$128,921</u>	<u>\$128,921</u>	<u>\$134,881</u>	<u>(\$5,960)</u>
EXCESS OF REVENUES (EXPENDITURES)	(14,282)	(14,282)	25,529	39,811
OTHER FINANCING SOURCES (USES)				
Transfers to/from other funds	1,378	1,378	(493)	(1,871)
EXCESS OF REVENUES EXPENDITURES) AND OTHER FINANCING USES	(\$12,904)	(\$12,904)	\$25,036	\$37,940
Fund Balance at 3/31/2005	196,340	196,340	196,340	
FUND BALANCE MARCH 31, 2006	<u>\$183,436</u>	<u>\$183,436</u>	<u>\$221,376</u>	<u>\$37,940</u>

The accompanying notes are an integral part of the financial statements.

**OTHER
FINANCIAL
INFORMATION**

CARP LAKE TOWNSHIP
 MAJOR GOVERNMENTAL FUNDS
 GENERAL FUND
 DETAIL OF REVENUES AND OTHER FINANCING SOURCES
 BUDGET AND ACTUAL
 Year ended March 31, 2006

REVENUES	<u>Budgeted Amounts</u>		<u>ACTUAL</u>	<u>VARIANCE</u>
	<u>ORIGINAL</u>	<u>FINAL</u>		
Current property taxes	\$30,000	\$30,000	\$67,634	\$37,634
Delinquent property taxes	2,000	2,000	1,642	(358)
Commercial forest reserve			3,442	3,442
Swamp taxes	17,000	17,000	17,312	312
Tax administrative fees	3,000	3,000	3,125	125
Total taxes	52,000	52,000	93,155	41,155
State shared revenues	60,472	60,472	60,921	449
Rents	1,620	1,620	715	(905)
Miscellaneous	47	47	2,581	2,534
Interest income	500	500	3,038	2,538
TOTAL REVENUES	114,639	114,639	160,410	45,771
Other financing sources-Transfer from other funds	1,378	1,378	545	(833)
TOTAL REVENUES AND OTHER FINANCING SOURCE	\$116,017	\$116,017	\$160,955	\$44,938

The accompanying notes are an integral part of the financial statements.

CARP LAKE TOWNSHIP
MAJOR GOVERNMENTAL FUNDS
GENERAL FUND
DETAIL OF EXPENDITURES AND COMPARISON WITH BUDGET

Year ended March 31, 2006

	<u>BUDGETED AMOUNTS</u>		<u>ACTUAL</u>	<u>VARIANCE</u>
	<u>ORIGINAL</u>	<u>FINAL</u>		
LEGISLATIVE				
Township Board:				
Salaries			\$2,880	
Office supplies			789	
Professional fees			6,023	
Communications			550	
Printing and publications			527	
Insurance			6,992	
Repairs and maintenance			2,378	
Dues			671	
Miscellaneous			759	
Training and education			130	
Equipment			441	
Chargebacks			687	
TOTAL LEGISLATIVE	\$21,387	\$21,387	\$22,827	(\$1,440)
 General Government:				
Supervisor:				
Salaries			\$7,800	
Contractual costs			3,799	
Miscellaneous			51	
TOTAL SUPERVISOR	\$8,008	\$8,008	\$11,650	(\$3,642)
 Elections:				
Wages			\$763	
Supplies			756	
Printing and publications			166	
TOTAL ELECTIONS	\$1,750	\$1,750	\$1,685	\$65
 ASSESSOR	\$8,971	\$8,971	\$8,977	(\$6)

The accompanying notes are an integral part of the financial statements.

CARP LAKE TOWNSHIP
 MAJOR GOVERNMENTAL FUNDS
 GENERAL FUND
 DETAIL OF EXPENDITURES AND COMPARISON WITH BUDGET
 Year ended March 31, 2006

	<u>BUDGETED AMOUNTS</u>		<u>ACTUAL</u>	<u>VARIANCE</u>
	<u>ORIGINAL</u>	<u>FINAL</u>		
Clerk:				
Salary			\$7,800	
Office supplies			853	
Miscellaneous			211	
TOTAL CLERK	\$9,232	\$9,232	\$8,864	\$368
 TOTAL BOARD OF REVIEW	 \$1,085	 \$1,085	 \$1,787	 (\$702)
 Treasurer:				
Salary			\$7,800	
Supplies			1,144	
Transportation			35	
TOTAL TREASURER	\$9,030	\$9,030	\$8,979	\$51
 Township Property:				
Wages			\$3,720	
Supplies			658	
Communications			1,013	
Utilities			4,972	
Repairs and maintenance			3,142	
Equipment			1,100	
TOTAL TOWNSHIP PROPERTY	\$7,898	\$7,898	\$14,605	(\$6,707)
 TOTAL GENERAL GOVERNMENT	 \$45,974	 \$45,974	 \$56,547	 (\$10,573)

The accompanying notes are an integral part of the financial statements.

CARP LAKE TOWNSHIP
MAJOR GOVERNMENTAL FUNDS
GENERAL FUND
DETAIL OF EXPENDITURES AND COMPARISON WITH BUDGET

Year ended March 31, 2006

	<u>BUDGETED AMOUNTS</u>		<u>ACTUAL</u>	<u>VARIANCE</u>
	<u>ORIGINAL</u>	<u>FINAL</u>		
PUBLIC SAFETY				
Fire:				
Wages			\$2,100	
Supplies			143	
Communications			724	
Insurance			2,352	
Utilities			3,702	
Repairs and maintenance			1,584	
Uniforms			608	
Training			960	
Miscellaneous			280	
TOTAL POLICE PROTECTION	\$20,620	\$20,620	\$12,453	\$8,167
 ZONING	 \$828	 \$828	 \$1,264	 (\$436)
 TOTAL PUBLIC SAFETY	 \$21,448	 \$21,448	 \$13,717	 \$7,731
 PUBLIC WORKS				
Street lighting	\$16,000	\$16,000	\$19,821	(\$3,821)
TOTAL PUBLIC WORKS	\$16,000	\$16,000	\$19,821	(\$3,821)
 RECREATION AND CULTURE				
Parks:				
Supplies			\$275	
Transportation			364	
Utilities			2,464	
Repair and maintenance			2,420	
Miscellaneous			13	
TOTAL PARKS	\$9,030	\$9,030	\$5,536	\$3,494

The accompanying notes are an integral part of the financial statements.

CARP LAKE TOWNSHIP
 MAJOR GOVERNMENTAL FUNDS
 GENERAL FUND
 DETAIL OF EXPENDITURES AND COMPARISON WITH BUDGET
 Year ended March 31, 2006

	<u>BUDGETED AMOUNTS</u>		<u>ACTUAL</u>	<u>VARIANCE</u>
	<u>ORIGINAL</u>	<u>FINAL</u>		
LIBRARY	\$4,800	\$4,800	\$4,834	(\$34)
TOTAL RECREATION AND CULTURE	\$13,830	\$13,830	\$10,370	\$3,460
OTHER	\$6,000	\$6,000	\$7,317	(\$1,317)
DEBT SERVICE	\$4,282	\$4,282	\$4,282	
TOTAL EXPENDITURES	\$128,921	\$128,921	\$134,881	(\$5,960)
TRANSFERS TO OTHER FUNDS			\$1,038	(\$1,038)

The accompanying notes are an integral part of the financial statements.

CARP LAKE TOWNSHIP
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE –
BUDGET AND ACTUAL
MAJOR FUND
ROAD FUND

Year ended March 31, 2006 Special Revenue Fund <u>BUDGETED AMOUNTS</u>				
	<u>ORIGINAL</u>	<u>FINAL</u>	<u>ACTUAL</u>	<u>VARIANCE</u>
Revenues:				
Federal shared revenues	\$5,232	\$5,232	\$5,580	\$348
State shared revenues			979	979
Interest income	1,138	1,138	2,738	1,600
	<u>\$6,370</u>	<u>\$6,370</u>	<u>\$9,297</u>	<u>\$2,927</u>
Expenditures:				
Contract outlay	\$25,000	\$25,000	\$19,095	(\$5,905)
	<u>\$25,000</u>	<u>\$25,000</u>	<u>\$19,095</u>	<u>(\$5,905)</u>
Excess of Revenues over (under) Expenditures	(18,630)	(18,630)	(9,798)	8,832
Other Financing Sources (Uses):				
Transfers from other funds				
Excess of Revenues and Other Sources over (under) Expenditures and Other Uses	(18,630)	(18,630)	(9,798)	8,832
Fund Balance 3/31/2005	<u>151,152</u>	<u>151,152</u>	<u>151,152</u>	
FUND BALANCE 3/31/2006	<u>\$132,522</u>	<u>\$132,522</u>	<u>\$141,354</u>	<u>\$8,832</u>

The accompanying notes are an integral part of the financial statements.

**COMBINING BALANCE SHEET – SPECIAL REVENUE FUNDS
NON-MAJOR GOVERNMENTAL FUNDS**

CARP LAKE TOWNSHIP

Year ended March 31, 2006

	<u>Liquor Law Enforcement</u>	<u>Building Inspections</u>	<u>Power Plant</u>	<u>Totals</u>
ASSETS				
Cash in bank	\$	\$	\$200	\$200
Account receivable			3,000	3,000
Due from other funds			51	51
Accrued interest income				
Total Assets	\$	\$	\$3,251	\$3,251
LIABILITIES AND EQUITY				
Accounts payable	\$	\$	\$3,251	\$3,251
Due to other funds				
Total Liabilities	\$	\$	\$3,251	\$3,251
Fund balance-unreserved				
Total Equity & Liabilities	\$	\$	\$3,251	\$3,251

The accompanying notes are an integral part of the financial statements.

COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN
FUND BALANCE - SPECIAL REVENUE FUNDS
NON-MAJOR GOVERNMENTAL FUNDS

CARP LAKE TOWNSHIP

Year ended March 31, 2006

	<u>Liquor Law Enforcement</u>	<u>Building Inspections</u>	<u>Power Plant</u>	<u>Totals</u>
Revenues:				
State shared revenues	\$1,752	\$	\$	\$1,752
Charges for services		5,330		5,330
Total revenues	<u>1,752</u>	<u>5,330</u>		<u>7,082</u>
Expenditures:				
Inspection costs		6,368		6,368
Liquor investigations	<u>1,207</u>			<u>1,207</u>
Total expenditures	<u>1,207</u>	<u>6,368</u>		<u>7,575</u>
Excess of revenue (loss) over expenditures	545	(1,038)		(493)
Other financing sources (use)-Transfer to other funds	(545)	1,038		(493)
Excess (Deficiency) of Revenue and Other Financing Source Over Expenditures and Other Financing Use				
Fund Balance 3/31/2006				
Fund Balance 3/31/2006	<u>\$</u>	<u>\$</u>	<u>\$</u>	<u>\$</u>

The accompanying notes are an integral part of the financial statements.

CARP LAKE TOWNSHIP
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND
BALANCE - BUDGET AND ACTUAL
NON-MAJOR FUND - LIQUOR FUND

Year ended March 31, 2006

Special Revenue Fund

	<u>BUDGETED AMOUNTS</u>		<u>ACTUAL</u>	<u>VARIANCE</u>
	<u>ORIGINAL</u>	<u>FINAL</u>		
Revenues:				
State Shared Revenues	\$1,747	\$1,747	\$1,752	\$5
Interest income				
	<u>1,747</u>	<u>1,747</u>	<u>1,752</u>	<u>5</u>
Expenditures:				
Enforcement costs	1,070	1,070	1,207	(137)
	<u>1,070</u>	<u>1,070</u>	<u>1,207</u>	<u>(137)</u>
Excess of Revenues over (under) Expenditures	677	677	545	(132)
Other Financing Sources (Uses):				
Operating transfers out	<u>(677)</u>	<u>(677)</u>	<u>(545)</u>	<u>132</u>
Excess of Revenues and Other Sources over (under) Expenditures and Other Uses				
Fund Balance 3/31/2005	\$	\$	\$	\$
FUND BALANCE 3/31/2006	<u>\$</u>	<u>\$</u>	<u>\$</u>	<u>\$</u>

The accompanying notes are an integral part of the financial statements.

CARP LAKE TOWNSHIP
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN
FUND BALANCE - BUDGET AND ACTUAL
NON-MAJOR FUND-BUILDING INSPECTION FUND

Year ended March 31, 2006

Special Revenue Fund

	<u>BUDGETED AMOUNTS</u>		<u>ACTUAL</u>	<u>VARIANCE</u>
	<u>ORIGINAL</u>	<u>FINAL</u>		
Revenues:				
Permit fees	\$5,700	\$5,700	\$5,330	(\$370)
Interest income	11	11		(11)
	<u>5,711</u>	<u>5,711</u>	<u>5,330</u>	<u>(381)</u>
Expenditures:				
Enforcement costs	5,010	5,010	6,368	(1,358)
	<u>5,010</u>	<u>5,010</u>	<u>6,368</u>	<u>(1,358)</u>
Excess of Revenues over (under) Expenditures	701	701	(1,038)	(1,739)
Other Financing Sources (Uses):				
Operating transfers in (out)	(701)	(701)	1,038	1,739
Excess of Revenues and Other Sources over (under) Expenditures and Other Uses				
Fund Balance 3/31/2005	\$	\$	\$	\$
FUND BALANCE 3/31/2006	<u>\$</u>	<u>\$</u>	<u>\$</u>	<u>\$</u>

The accompanying notes are an integral part of the financial statements

**BALANCE SHEET –CAPITAL PROJECTS FUND
NON-MAJOR GOVERNMENTAL FUNDS**

CARP LAKE TOWNSHIP

Year ended March 31, 2006

		EDA Industrial <u>Park</u>
ASSETS		
Cash in bank		\$2,613
	Total Assets	<u>\$2,613</u>
 LIABILITIES & EQUITY		
Accounts payable-Due to State		\$2,613
Due to other funds		
	Total Liabilities	<u>\$2,613</u>
 Fund balance-unreserved		
	Total Equity & Liabilities	<u>\$2,613</u>

The accompanying notes are an integral part of the financial statements

STATEMENT OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCE –CAPITAL PROJECTS FUND
NON-MAJOR GOVERNMENTAL FUNDS

CARP LAKE TOWNSHIP

Year ended March 31, 2006

EDA
Industrial
Park

Revenues:

Property taxes

State shared revenues

Total revenues

\$ _____
\$ _____

Expenditures:

Public works

Excess of revenues over expenditures

\$ _____
\$ _____

Fund Balance-3/31/2005

\$ _____

Fund Balance 3/31/2006

\$ _____

The accompanying notes are an integral part of the financial statements

Roger J. Kolehmainen PC CPA
1445 East Cloverland Drive
Ironwood, MI 49938
(906) 906-3600

**REPORT ON COMPLIANCE AND ON INTERNAL CONTROL OVER FINANCIAL
REPORTING BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED
IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS**

Supervisor and Members of the Board
Carp Lake Township
White Pine, Michigan

We have audited the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Carp Lake Township as of and for the year ended March 31, 2006, which collectively comprise the Carp Lake Township's basic financial statements and have issued our report thereon dated December 22, 2006. We conducted the audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Compliance

As part of obtaining reasonable assurance about whether Carp Lake Township's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grants, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instance of noncompliance that is required to be reported under *Government Auditing Standards*.

Internal Control over Financial Reporting

In planning and performing the audit of the financial statements of Carp Lake Township for the year ended March 31, 2006, we considered the internal control structure in order to determine auditing procedures for the purpose of expressing an opinion on the financial statements and not to provide assurance on the internal control over financial reporting.

The management of Carp Lake Township is responsible for establishing and maintaining an internal control structure. In fulfilling this responsibility, estimates and judgments by management are required to assess the expected benefits and related costs of internal control structure policies and procedures. The objectives of an internal control structure are to provide management with reasonable, but not absolute, assurance that assets are safeguarded against loss from unauthorized use or management's authorization and recorded properly to permit the preparation of financial statements in accordance with generally accepted accounting principles. Because of inherent limitations in any internal control structure, errors or irregularities may nevertheless occur and not be detected. Also, projections of any evaluation of the structure to future periods are subject to the risk that procedures may become inadequate because of changes in conditions or that the effectiveness of the design and operation of policies and procedures may deteriorate.

However, we noted certain matters involving the internal control over financial reporting and its operation that we consider to be reportable conditions. Reportable conditions involve matters coming to our attention relating to significant deficiencies in the design or operation of the internal control structure that, in our judgment, could adversely affect the entity's ability to record, process, summarize and report financial data consistent with assertions of management in the financial statements. Reportable conditions noted in our review are as follows:

1. The Township did not compile a complete listing of Governmental Fund Type assets to assure existence, condition and valuation to be used for insurable values and against potential types of losses. The Township lacks knowledge as to all of its actual holdings.

The Township needs to establish procedures in the taking of a Township wide fixed asset inventory of all holdings and incorporate into their review and procurement of insurance coverage.

2. Our audit effort identified that the Township's Fire Department has their own bank account which was not presented for inclusion in the Township's annual audit.

All bank accounts and financial documentation will need to be included in the Township's annual audit unless a separate legal entity has been established and recognized as being eligible to receive such monies.

3. The Township Board may want to engage the services of a local engineering firm to determine the need and placement location of a sewer flow meter from the industrial park to the lagoon system. Remarks made by a past employee and engineering firm representative allows for concern that the Township may be

receiving additional discharge to the system in unknown quantities and without proper approvals.

Besides the Sewer System not receiving all revenues it is entitled to, the acceptance of unauthorized flows and substance could be a concern to regulatory authorities and ultimately, the Township.


4. The Township's files did not contain the final pension reports nor have 2005 Forms 1099 to demonstrate proper closing and reporting of withdrawals and transfers.
Without adequate documentation being available, our audit effort was unable to determine if all the proper forms were completed correctly at year end
5. The Township Board did not comply with P.A. 621 of 1978 by not amending the annual budget upon occurrence of expenditures in excess of budgetary amounts. The Township Board may want to review P.A. 621 to determine proper procedures to adhere to in adopting and amending their operating budgets.
6. The Township had cash and investments on deposit that exceed the FDIC insurance coverage should a loss be experienced. The Treasurer should be instructed to research terms with other local banking institutions, allowing for monies to be invested in several banks in reducing the risk exposure.

A material weakness is a reportable condition in which the design or operation of one or more of the specific internal control structure elements does not reduce to a relatively low level the risk that errors or irregularities in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We consider the first three items to be a material weakness.

Our consideration of the internal control structure would not necessarily disclose all matters in the internal control structure that might be reportable conditions and, accordingly, would not necessarily disclose all reportable conditions that are also considered to be material weaknesses as defined above.

This report is intended solely for the use of management and should not be used for any other purpose. This restriction is not intended to limit the distribution of this report, which, upon acceptance by the Members of the Board, is a matter of public record.

December 22, 2006


Roger J. Kolehmainen PC
Certified Public Accountant